

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 12, 2010
POSITION: Support, if amended
SPONSOR: Department of Forestry and Fire Protection

BILL NUMBER: AB 2360
AUTHOR: W. Chesbro

BILL SUMMARY: Forest Resources

Existing law authorizes revenues from loans, interest received, and the sale of forest products to be deposited into the Forest Resources Improvement Fund (FRIF) and expended for the management of demonstration state forests operated by the Department of Forestry and Fire Protection (CAL FIRE). Additionally, existing law authorizes all excess money in the FRIF to be deposited into the General Fund. This bill would: (1) require that all revenue originating from activities within the state forest boundaries be deposited into the FRIF and expended to fund current demonstration state forests activities, (2) repeal existing law that requires excess revenue be deposited in the General Fund, and (3) authorize FRIF to be used to backfill General Fund reductions in specified CAL FIRE forest resources programs.

FISCAL SUMMARY

This bill would require that all revenues generated within the demonstration state forests be deposited into the FRIF. CAL FIRE states this would provide a more reliable funding source to fund existing programs without increasing costs to the General Fund or requiring additional staff. CAL FIRE believes no new General Fund monies would be needed to implement this bill. However, we note that this bill would potentially decrease revenues to the General Fund by allowing any surplus revenue to remain in the FRIF.

Several years ago, CAL FIRE received two General Fund loans to maintain minimal funding levels for forest resources programs as a result of declining revenue at demonstration state forests. As a result of litigation at Jackson State Forest and low timber prices, recent revenues into the FRIF have been low and do not fully support existing demonstration state forest activities within CAL FIRE. In 2006, FRIF-funded program areas, except the demonstration state forests, were permanently shifted to the General Fund and the two General Fund loans were forgiven. This bill would authorize FRIF to be used to backfill General Fund reductions in these forest resources programs in the annual Budget Act. In fact, it is always possible for a special fund source to be used to backfill a General fund reduction. Consequently, this provision has no real effect.

COMMENTS

Finance would support this bill if amended to reinstate existing law requiring excess revenue be deposited in the General Fund.

FRIF has historically been used on an ongoing basis to fund a number of key departmental programs such as demonstration state forests, urban forestry, pest management, seed banks, nurseries, and fire and resource assessment. The Jackson Demonstration State Forest (JDSF), the largest of the eight demonstration state forests, provides the bulk of the state forest timber harvesting revenue that funds FRIF. From 2003 to 2009, litigation halted timber harvesting at the JDSF.

The 2006 Budget Act shifted the FRIF-funded program areas except the demonstration state forests to the General Fund. Litigation and management issues were resolved in 2008 and harvesting resumed at the JDSF in 2009; however, revenue remains below adequate funding levels.

Analyst/Principal (0634) M. Almy	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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(Continued)

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	Code
1614/Misc Revenue	RV	No	-----	See Fiscal Summary	-----				0928
1614/Misc Revenue	RV	No	-----	See Fiscal Summary	-----				0001

<u>Fund Code</u>	<u>Title</u>
0001	General Fund
0928	Forest Resources Improvement Fund

Suggested Amendments
AB 2360 (As amended April 12, 2010)

SECTION 1. Section 4799.13 of the Public Resources Code is amended to read:

4799.13. (a) There is hereby created in the State Treasury, the Forest Resources Improvement Fund. Except as provided in subdivision (e), the money in the Forest Resources Improvement Fund may only be expended, upon appropriation by the Legislature, for the cost of operations and related administrative costs, associated with management of lands held in trust by the state and operated as demonstration state forests by the department pursuant to Section 4646, to implement approved forest management plans of the demonstration state forests, and to fund public education, restoration, research, and monitoring activities related to demonstration state forests.

(b) The Forest Resources Improvement Fund shall be the depository for all revenue originating from activities within state forest boundaries, including revenue from leases, rent, fees, firewood, and permits, as well as all revenue derived from the repayment of loans made or interest received pursuant to Chapter 1 (commencing with Section 4790), and the receipts from the sale of forest products, as defined in Section 4638, from the state forests to support the activities authorized by subdivision (a). ***Money in the fund in excess of the amount needed to support those operations shall be deposited in the General Fund.***